



Background

Credit unions, along with all other financial institutions, are subject to extensive regulatory oversight. Credit unions are required to comply with scores of state and federal laws, and are subjected to regular on-site financial exams.

In addition to state examiners, state chartered credit unions are also subject to visitation by NCUA examiners, since every Michigan credit union has their deposits insured by the National Credit Union Share Insurance Fund.

Michigan has a long tradition of strong, fair minded regulation and we are proud that our state regulators have continued to play a leadership role in key regulatory discussions on a state and national level. Even the best operations can be improved, however, and we look forward to continuing to work closely with DIFS to enact meaningful regulatory reforms that reduce regulatory burdens, while ensuring the safe and sound operation of credit unions.

Building on a Strong Regulatory Program

Status

Credit unions are required to undergo a regular financial examination by their regulators, and this typically takes place annually. During these exams a wide variety of credit union controls, operations, and policies and procedures are reviewed and tested.

While Michigan is recognized as having a generally strong and effective state regulator, reasonable improvements in Michigan law can be made to reduce regulatory burdens and protect credit unions. When passed, HB 5020 would ensure that:

- Exam reports are focused on matters required by law, regulation, or safety and soundness. While examiner suggestions, or “best practices” may be intended to be helpful, credit unions should never face punitive action if they exercise their business judgment otherwise.
- Confidential exam reports produced by DIFS should remain confidential, privileged information. These reports contain valuable, but highly sensitive information concerning a credit union’s financial ratings, along with candid assessments of a wide variety of strengths and vulnerabilities of each individual institution. This information must remain confidential between the regulator and credit union.
- Exams become more transparent regarding scope, timing and appeal rights. Regulated entities should have a clear understanding of the scope of routine exams, exam lengths and what their appeal rights are in case of disputes.

MCUL Position

The MCUL supports HB 5020, which would help make needed refinements in the examination process designed to reduce regulatory burdens on Michigan credit unions.



Background

The Michigan Credit Union Act was last updated in 2003. In the intervening years the financial services industry undergone significant changes. The expectations of credit union members, and customers of all financial institutions, have increased as consumers have become more sophisticated.

The biggest change on the financial services landscape has been the creation of the Consumer Financial Protection Bureau (CFPB), which was created in the wake of the recent financial turmoil. While the CFPB was created to rein in large Wall Street Banks, it has substantially increased the regulatory burdens felt by smaller community-based institutions like credit unions.

While state policymakers can't reduce federal regulations, they can take important steps to reduce regulatory burden at the state level.

Strengthening Credit Unions by Supporting Sound Regulation and Management Status

Since the Michigan Credit Union Act (MCUA) was last updated twelve years ago the financial services industry has changed at a rapid pace. In addition to many new regulations, the industry has adapted to numerous technological advances that have dramatically changed member expectations and the ways that credit unions meet member needs.

HB 5018 would continue to support the balance of sound regulation while also allowing credit unions to make business decisions that support growth. When passed, HB 5018 would support credit union efforts to provide reasonable regulatory standards for credit unions by allowing:

- Credit unions the option to manage their own bylaws rather than having to seek regulatory approval for even the most minor changes.
- Credit unions to conduct business solely electronically or by mail without prior approval of the Director.
- Eliminating unnecessary reporting requirements.
- DIFS to maintain reasonable regulatory oversight of foreign credit unions operating in the state of Michigan.

MCUL Position

The MCUL supports HB 5018, which would reduce regulatory burdens on credit unions and provide them with greater flexibility to serve their members.

We support providing credit unions with additional options that they need to serve their members in a dynamic marketplace. We also understand the importance of having a strong state regulator and support providing DIFS the tools it needs to regulate foreign credit unions operating in the State of Michigan.



Background

Credit unions are highly regulated depository institutions. As such, they are routinely examined by state and federal regulators.

Credit Union Service Organizations (CUSOs), are for-profit entities that offer specialized services to credit unions. Frequently, credit unions join together to form CUSOs in order to cooperatively leverage opportunities that require scale or expertise that a single credit union may not have or want to maintain “in house.” Typical examples include mortgage underwriting and servicing, or small business lending. CUSOs exist to help credit unions efficiently deliver services to their members. In Michigan, CUSOs are subject to regulatory examinations.

Because additional powers granted through regulatory guidance is subject to revision by future regulators, credit unions periodically seek to incorporate favorable regulatory provisions into the state charter in order to promote a flexible, stable state regulatory environment

HB 5022 would expand a credit union’s power and allow them to conduct loan promotion raffles.

Enable Credit Unions to Offer a Complete Range of Financial Services while Supporting Regulatory Relief

Status

CUSOs provide a valuable service to credit unions by allowing them to more effectively compete in the financial services marketplace. In the State of Michigan, CUSOs are subject to examination by state regulators. House Bill 5019 would amend the Michigan Credit Union Act to incorporate authority for credit unions—through CUSOs—to invest in small business equity or venture capital investments. Credit Unions are currently permitted to engage in this activity pursuant to DIFS Order # 12-046-M. Additionally, this legislation would allow for consolidated financial audits if a CUSO is wholly owned by a single domestic credit union. Finally, HB 5019 would amend the list of permissible activities that CUSOs can engage in to permit them to offer trust services to credit unions. Michigan credit unions can currently offer trust services to their members through a CUSO formed outside of the State of Michigan, but not one formed here in the State of Michigan.

HB 5022 would allow credit unions to offer loan promotional raffles. These raffles would not alter the credit union loan approval process, but would simply provide additional incentives to credit union members. This authority is modeled after the successful savings raffle authority granted to credit unions. Michigan has been a leader in this arena, and hundreds of credit unions nationwide are participating in the “Save to Win” program, which provides participating depositors the chance to earn chances at winning cash prizes every time they make a deposit. Loan promotion raffles will create incentives for credit union members to consider taking advantage of the excellent loan options available to them through their local credit union.

MCUL Position

The MCUL supports HB 5019, HB 5021 and HB 5022, which would provide additional clarity, regulatory relief and business decision flexibility for credit unions and CUSOs.



Background

The Michigan Credit Union Act was last updated in 2003. In the intervening years the financial services industry has seen many changes. The expectations of credit union members, and customers of all financial institutions, have increased as consumers become more sophisticated. Additionally, federal agencies such as the Consumer Financial Protection Bureau continually add to the regulatory burden of small financial institutions.

While state policymakers can't preempt federal regulations, they can take important steps to reduce regulatory burden.

In order to maintain Michigan's status as having one of the most forward looking state chartering acts in the nation, the MCUL has worked with its members to identify recommended updates to the MCUA.

MCUA Update

Changes benefit CU's, Members, and Michigan Status

Representative Tony Forlini has introduced HB 5017, a bill to update the Michigan Credit Union Act (MCUA). HB 5017 will strengthen Michigan's credit union state charter.

HB 5017 contains a variety of components, including regulatory reforms, parity provisions and budgetary protections. These provisions include:

- Updating outdated definitions in light of current practices
- The creation of the Credit Union Regulatory Fund to protect fee revenue paid by credit unions
- Providing much needed regulatory relief to offset the increased federal regulatory burden
- Empowering credit unions to make business decisions to best meet the needs of their members
- Supporting the strong culture of volunteer leadership
- Strengthening Michigan's credit union industry by providing additional growth opportunities
- Establishing parity between the MCUA and federal charter
- Providing credit unions with additional opportunities to serve their communities

MCUL Position

The MCUL supports HB 5017. HB 5017 would update the MCUA to maintain Michigan's status as having one of the strongest credit union acts in the nation.

MCUL & Affiliates Government Affairs

Michigan Credit Union Act – HB 5017

2015

Regulatory Relief

HB 5017 would provide needed regulatory relief at the state level to help offset the increased regulatory burden put upon small financial institutions by federal regulatory agencies. Regulatory relief would include:

- Modifying arbitrary notification requirements to allow credit unions greater flexibility when communicating with DIFS.
- Allowing credit unions greater flexibility when storing records, including allowing electronic storage of all records.
- Updating meeting requirements so credit union boards can maintain a consistent meeting schedule.
- Providing credit unions greater flexibility in meeting their technology needs by updating regulatory vendor requirements.
- Allowing credit union boards to delegate additional management decisions to senior managers and CEOs allowing senior managers to quickly adapt to changes and better meet member needs.
- Increasing a credit union's ability to serve all of their member's financial needs.

Strengthening the Volunteer Structure

Credit unions are not-for-profit financial institutions led by volunteer boards of directors. HB 5017 would support this structure by:

- Allowing credit unions to create an associate board member program which would permit credit unions to establish a "farm team" of future credit union leaders.

Expand Credit Union Protections

Michigan credit unions face many challenges in their efforts to best serve their members. These challenges come in the form of competition, increased regulatory burden, and a constantly evolving marketplace. HB 5017 would attempt to provide stability for credit unions by:

- Creating the Credit Union Regulatory Fund to protect the fees that state chartered credit unions pay to the state regulator.
- Empowering credit union management to suspend or terminate membership where a person is engaging in abusive activity at the credit union.

MCUA Technical Updates

The MCUA has not been updated since 2003, in that time the financial services industry has seen significant changes. HB 5017 would modernize definitions and other provisions allowing credit unions and the state regulator greater flexibility.

Strengthen Michigan's Communities

Credit unions have a strong history of serving the financial needs of their members and the communities where their members live. HB 5017 allows credit unions to increase community involvement and support by allowing them to fund educational scholarships, and provide financial counseling services to local communities in which the credit union serves.